

Russian Railways Important Transactions on Capital Markets



The scale of borrowings of Russian Railways usually depends on the dynamics of the macroeconomic situation in Russia and the state of the world economy in conditions of increased integration.

International markets

In the first half of 2013 Russian Railways twice entered the international capital markets and made issuances of Eurobonds in Swiss francs and euros.

The placement in Swiss francs was executed in two tranches and, while all previous issues of Russian Railways bonds since 2010 were listed on the Irish Stock Exchange, this issue was listed on the Swiss Stock Exchange because this Exchange is a niche market that works separately from classic international trading floors.

The final parameters for both tranches are as follows:

- ▶ 525 mln francs and a coupon rate of 2.177% per year, with a maturity period of 5 years;
- ▶ 150 mln francs and a coupon rate is 2.730% per year, with a maturity period of 8 years.

Both tranches were placed at the lower end of the price range and made the Company the outstanding Russian corporate borrower in the market. Based on year-end results, the transaction won an award in the category of “Most Successful Offering in Swiss Francs in 2013” from two financial magazines: EuroWeek and EMEA Finance.

In April 2013, Russian Railways again entered international capital markets with a placement of Eurobonds denominated in euros for 8 years. The selection of both currency and maturity period was based on the main parameters and the calculated payback period of the Company’s investment in 75% of GEFCO’s shares, purchased by Russian Railways at the end of 2012. As a result of the placement, Russian Railways became the third borrower in the CIS that issued Eurobonds in euros, with the largest placement volume since 2007.

The incredibly high demand from investors increased the initial offering by more than 4 times and the bid book was closed after only a few hours following the official announcement of the transaction. The issue size was increased from 800 million euro to 1 billion euro while the coupon was set at 3.375%, 0.3% less than the initial price guidance. Central banks and sovereign foreign funds showed interest in this issue, thus confirming the high credit rating of Russian Railways.



The Russian Market

In 2013, Russian Railways entered the internal market twice, with an offering of corporate bonds in roubles at a fixed rate totalling RUB 35 billion.

In April, Russian Railways placed corporate bonds totalling RUB 20 billion, with a maturity of 15 years and a put option of 7 years. During the placement, because of the high demand for the bonds from investors, the coupon rate was established below the initially announced range of 8.25-8.50% per year and was set at 8.20% per year. The transaction was the most successful internal market placement in 2013.

The total amount raised in the form of infrastructure bonds

RUB 150 bn

In November Russian Railways again entered the internal market with a bond offering in the amount of RUB 15 billion and a maturity of 3 years. This emission was placed in full at a rate of 7.7% per year.

In the second half of the year, the Company placed 6 issues of extra long-term infrastructure bonds totalling RUB 150 billion, with a maturity of 15 to 30 years and with the coupon linked to the annual inflation ratio.

Infrastructure bonds are a fundamentally new financial product in the internal market, which is designed for long-term investors interested in the diversification of their portfolio and aimed at reliable securities that guarantee the safety of their funds in case of inflation. Such investors are mainly pension funds.

The main investor in infrastructure bonds placed in 2013 was Vneshekonombank, which is the authorised manager of the Russian Pension Fund. The proceeds from infrastructure bonds placement are used in investment projects with comparable payback periods, including the partial financing of reconstruction projects for the Baikal-Amurskaya and Trans-Siberian lines. Thus, infrastructure bonds became the first target tool of private investments in railway infrastructure development in the country.

ANNUAL RESULTS

Overall, during the year Russian Railways borrowed the total amount of RUB 293.8 billion, RUB 150 billion of which were in the form of infrastructure bonds, RUB 63.2 billion were in the form of Eurobonds (at the euro exchange rate as of the date of placement), RUB 35.6 billion were corporate bonds placed on the Russian market, including the secondary market placement of bonds bought back earlier under the put option, and RUB 45 billion were bilateral bank loans (including RUB 35 billion of short-term loans repaid within the same year).